

Port Authority History and Operating Structure

The Clermont County Port Authority (the Port) is a body corporate and politic established by the Board of County Commissioners as a tool to facilitate economic development in the community. The Port was established by the County Commissioners through Resolution 124-12 on July 16, 2012. The Port has a five-member board of directors with four-year staggered terms, and directors are appointed by the County Commissioners.

Currently there is no paid staff or dedicated physical office for the Port. Projects are managed by the staff of the Clermont County Department of Community & Economic Development. The Port received an initial \$20,000 contribution from the County Commissioners to fund the operations as the organization was established, and it is anticipated that the Port will be self-sufficient on an ongoing basis through project fees.

Port Authority Powers

The broad powers granted under Ohio Revised Code section 4582 provide for the Port to facilitate economic development through the following methods:

- Acquire real and personal property;
- Own, lease, sell, and construct improvements to real property;
- Issue revenue bonds for port authority facilities;
- Issue voted general obligation bonds for port authority facilities and other permanent improvements;
- Levy voted taxes for all purposes of the port authority;
- Receive federal and state grants and loans and other public funds;
- Operate transportation, recreational, governmental, or cultural facilities, and set rates and charges for use of port authority facilities;
- Cooperate broadly with other governmental agencies and exercise powers delegated by such agencies.

Port authorities are also authorized to exercise the power of eminent domain by the Ohio Revised Code. The County Commissioners, however, prohibited the Clermont County Port Authority from using eminent domain in the July 16, 2012 Resolution establishing the Port.

Primary Economic Development Tools

Because of their tax-exempt status, port authorities have the advantage of passing savings on to economic development projects, thus making projects possible that might not otherwise happen. The Port can facilitate economic development projects in the following ways:

- Loaning monies at competitive rates and terms, either as a direct loan or a “pass-through” bond based on the credit of the entity for which the bonds are being issued;
- Constructing, owning and/or operating public infrastructure facilities (such as parking structures) as a component of a public-private project;
- Acquiring and selling property for economic development projects;
- Providing an exemption of Ohio sales tax on construction materials for projects using the Port for conduit financing.

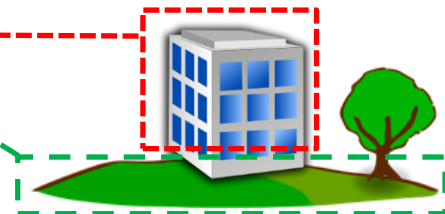
Current limited financial assets prohibit the Port from making direct loans for projects. The following examples illustrate how the Port can facilitate economic development projects with the tools currently available to it:

EXAMPLE 1: CONDUIT FINANCING FOR SALES TAX EXEMPTION ON CONSTRUCTION MATERIALS

PROJECT: A company is constructing a new (or renovating an existing) building, with a budget of \$15M for real property improvements (roofing, concrete, steel, framing, HVAC components, etc.).

STRUCTURE: **Port** owns building and leases it to company

Company owns land and leases it to Port



TERM: Port will entertain options for early termination on a case-by-case basis, but typically a minimum of 3 years after completion of project.

BENEFIT: Because the real property improvements are owned by the Port, the construction materials are exempt from Ohio sales taxes. For a \$15M project with a materials cost of \$6M, the average savings would be \$390,000.

FEES: The Port will typically collect 10% - 15% of the savings plus recover its legal fees. Legal fees for the preparation and negotiation of definitive agreements for Port projects typically range from \$10,000 - \$20,000 depending on the complexity of the project. Companies that require more customized transaction structuring or longer negotiation periods may be subject to higher fees.

EXAMPLE 2: BOND FINANCING & PUBLIC INFRASTRUCTURE IMPROVEMENT

PROJECT: A developer is constructing a new building (i.e., commercial/apartment/senior care), with a budget of \$10M for real property improvements. The local community also needs additional public parking facilities, the need for which will increase due to additional traffic from this development.

STRUCTURE: Port owns building and leases it to company; company owns land and leases it to the Port (see **Example 1** above). Additionally, the developer provides land for the construction of a public parking structure to be owned by the Port for 40 years, after which it is sold to the developer or community. The property tax revenue on the new commercial structure can be captured using Tax Increment Financing (TIF), which can be dedicated to the Port by the local community to fund the parking structure. The Port may identify additional sources of revenue by leasing reserved spaces to local businesses, residents, and/or the local community government.

TERM: New building – see Example 1 above. Parking structure – see paragraph above.

BENEFIT: Because the real property improvements are owned by the Port, the construction materials are exempt from Ohio sales taxes. For a \$10M project with a materials cost of \$4M, the average savings would be \$260,000. Additionally, the developer can construct the parking structure for the Port as the contractor for the project. Finally, a community need for additional public parking is met as a result of this project.

FEES: The Port will typically collect 10% - 15% of the savings. The Port may also derive revenue by leasing parking spaces as described above. The legal fees on this type of project will be larger than average due to its complexity, and may need to be defrayed through TIF or other sources.